



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 3/3/2004

GAIN Report Number: JA4509

Japan

Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

2004

Approved by:

Kevin Sage-EL, Deputy Director
ATO Tokyo

Prepared by:

Akiko Matsuyoshi, Marketing Clerk

Report Highlights:

From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: Drug store chains such as *Matsumoto Kiyoshi*, plan to expand sales of food and beverages; *Yoshinoya* says sales began to recover in January following the ban on U.S. beef imports in December; *Dai-ichi Life Research Institute Inc.* says Japan's GDP may eventually be negatively impacted by a prolonged ban on beef imports; *Tonyu* (soymilk) enjoys the number one product market ranking in Japan and; In advance of any reported human infection resulting from avian influenza, Japan's Ministry of Health, Labor, and Welfare (MHLW), prepares to prevent any wide-spread outbreak similar to that elsewhere in Asia.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Tokyo ATO [JA2]
[JA]



Food Business Line

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Vol IV, Issue 44 January 15-31, 2004

Retail/Wholesale

- *Seiyu Group*, now a subsidiary of *Wal-Mart Stores*, plans to recruit 1,500-1,600 staff to accept voluntary early retirement as part of the *Seiyu*'s five-year restructuring plan. (b 1/20)
- The number of drug stores is increasing this year reflecting growing consumer awareness in health. The total number of stores planned to open in 2004 will exceed 300 for the six major drug stores, which is an increase of 10% compared to last year. The largest chain *Matsumoto Kiyoshi* plans to sell not only pharmaceuticals and cosmetic products but also foods such as *bento* lunch boxes, bread, snack, and beverages. The industry is also considering the introduction of new offering and services such as selling books and setting up a courier services counter. Because of a recent government deregulation, convenience stores will sell some pharmaceutical products by the end of this year and, competition between the two types of retailers is expected to intensify. (a 1/31)

ATO Comments: According to the Japan Chain Drug Store Association, the total number of stores increased by 20% in three years, and the market size of the drug store industry grew by 30% in two years. With the overall increasing trend on nutrition and health, drug store chains may continue to be an ideal place for supplements and also some functional foods.

Food Service

- *Yoshinoya D&C*, the number one operator of a *gyudon* beef bowl restaurant chain, said that customers dropped 15% immediately after the BSE case was first reported in the U.S., and that total sales in December 2003 fell by 9.3% compared to the same month of the previous year on a same-store basis. However, since the second week of January, customer traffic has recovered, exceeding year-earlier figures. *Yoshinoya* says that beef bowl demand remains strong, with only 10% or so of its customers ordering the curry dish, which is now made available at all stores. Other beef bowl chain operators such as *Matsuya* and *Nakau* experienced a fall in same-store sales, while *Zensho* showed no impact from BSE so far. Beef bowl chain operators are all beginning to introduce new non-beef bowl menus. (a 1/15)

Food Processing/New Products/Market Trends

- According to the *Dai-ichi Life Research Institute Inc.*, if the ban on imported U.S. beef continues throughout 2004, it will likely push down the Japanese GDP by 0.05% (about 240 billion yen). (Asahi 1/17)
- According to the best-selling products survey in 2003 by the *Nihon Economic Newspaper*, healthy products such as supplemental sports drinks, *Natto* sticky bean products, and black bean cocoa ranked high in the list. Also, value-added snack products scored high with consumer preferences as exhibited by sales. (b 1/31)
- According to the best-selling products survey in 2003 by the *Nihon Economic Newspaper*, *Haagen-Dazs*'s mini-size cup ice cream dominated the top three rankings in the frozen food

category. Its “Mini-cup Adzuki-bean” ice cream was the best-selling product, obviously doing well to appeal to the Japanese consumer’s taste preference. (b 1/31)

- According to the best growing industry survey in 2003 by the Nihon Economic Newspaper, the *tonyu* soymilk market product ranked number one, enjoying an 80% increase for both soymilk and nutritionally enhanced soymilk products compared to the previous year. For example, *Otsuka Pharmaceutical’s* “Sugoi Daizu”, a nutritionally enhanced soymilk product has been a big hit ever since it was introduced last February. More manufacturers are introducing soymilk products reflecting the Japanese consumer’s growing health consciousness. (b 1/31)
- According to the best growing industry survey in 2003 by the Nihon Economic Newspaper, four out of the top ten markets in the home products category was related to pet food. In particular, health-related pet food products such as supplemental and diet food are selling well. (b 1/31)

Food Safety/Consumer Awareness

- Japan’s Agriculture Ministry (MAFF) temporarily banned the imports of chicken meat and processed chicken products from Thailand on January 22 due to the detection of avian influenza. Retailers removed all Thai chicken products off the shelves as soon as the measure was announced, and are already looking for substitute suppliers. Broiler chicken from Thailand accounts for 10% of all broiler imports in Japan, and the impact of the measure is likely to spread through the Japanese food industry. (b 1/24)
- MAFF announced on January 27 that it has banned chicken meat imports from China following the reports of an outbreak of avian influenza there. China is the third-largest chicken meat exporter to Japan, and the import ban on chicken meat from China is expected to have a considerable impact on the Japanese chicken market, as imports from Thailand, the largest exporter to Japan, have been suspended since the previous week. (a 1/27)
- In order to prevent any unchecked infection of the avian influenza to humans, such as that which is rampant in other Asian countries, Japan’s Ministry of Health, Labor, and Welfare issued a standards manual on January 30 for health authorities to respond quickly if a human case of the virus occurs. (a 1/31)

ATO/Cooperator/Competitor Activities/Trade Shows

- *Carrefour Japan* plans to open two more stores, one in the Eastern part and the other in the Western part of Japan, by December 2004, bringing the total number of stores to 10. (b 1/29)

☞ Sources ☞

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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